

## Other Cost

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- Management
  - \$100,000 a year



## Total Estimated Cost

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▶ Capital and Expense	\$ 511,357
▶ Operating Cost	3,653,280
▶ Other Cost	337,796
▶ First year cost total	\$ 4,505,433
▶ Subsequent years	\$ 3,991,076

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## Other Issues

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- ▶ Product Aesthetics
- ▶ Customer Service Delays
- ▶ Current Inventories
- ▶ Reduced Product Offering
- ▶ Increased Product Cost

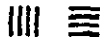


# Our Conclusion

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- ▶ The draft standard for small open flame ignition of Upholstered Furniture will create a significant financial burden on the upholstery fabric industry.
- ▶ The draft standard will potentially limit consumer choice and freedom in the selection of upholstered furniture products.





# CULP

June 14, 2002

Dale Ray, Project Manager  
Directorate for Economic Analysis  
U.S. Consumer Product Safety Commission  
Washington, D.C. 20207

Dear Mr. Ray:

On behalf of Culp, Inc., I would like to thank the C.P.S.C. for having the opportunity to present our comments on the proposed small open flame test. Before we get started into the concerns we have at Culp, Inc., I would like to give you a brief history of our company. Culp was started in 1972 as a fabric converter to the furniture industry. By 1979, the company had grown to the point that manufacturing fabric was the next logical step in support of our customers. At present, the company has sales of approximately \$380 million with manufacturing sites in North Carolina, South Carolina, Tennessee and Canada. We also have fabric distribution centers in California, Mississippi and North Carolina with a total employment of approximately 3,000 people. Culp is one of the world's largest marketers of upholstery fabrics for furniture and is a leading marketer of mattress ticking for bedding. The company's fabrics are used principally in the production of residential and commercial furniture and bedding products. Culp produces approximately 6 million yards of fabric a month for the furniture industry in the Upholstery Division.

I think most people agree any changes regarding the safety of a group of products must be looked at in the context of:

1. Are the desired results achieved,
2. Are there environmental concerns,
3. Are cost to benefits acceptable,
4. Are the end products marketable?

It is impossible to adequately cover these four items in a brief 2-page letter. However, I would like to remind all involved to review the documents submitted by the A.F.M.A. and the A.T.M.I. for further clarification on these items. What I would like to accomplish today is to review the cost and complexity of verification testing, to discuss the aesthetics issues of this fashion-driven industry, and to raise the questions of the proposed standard that does not properly address cleaning and durability of flame retardant fabrics.

Pages 1 - 4 show a fabric testing projection as proposed by the Consumer Product Safety Commission (page 164 and 165 of the C.P.S.C. staff "Briefing Package on Upholstered Furniture Flammability: Regulatory Options"). Pages 2 and 3 represent approximately one-third of our total production. Projecting out the dollars shown on pages 2, 3 and 4,

Dale Ray  
Consumer Product Safety Commission  
June 14, 2002  
Page Two

the cost would be over \$12.2 million a year for the Upholstery Divisions of Culp. The cost of testing alone would far exceed the average net income for Culp, Inc. for the past five years.

Over the eight years we have been testing for small open flame test, we have made some progress in the hand of the fabrics that would be coated to such requirements. However, we are still not near the aesthetic levels consumers expect for upholstered furniture.

One further item we believe has not been properly identified and considered is cleaning and durability. No portion of their proposed standard addresses what happens if the furniture is cleaned nor how durability will be tested over the expected 14+ years of life for upholstery furniture.

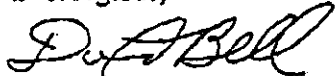
While the information we have is limited, it does bring up serious questions referencing:

1. The cost and complexity of verification testing
2. By current standards, the end product is not acceptable to the consumer
3. The proposed standard does not address cleaning and durability of the flame retardant fabrics.

We at Culp felt these serious concerns needed to be stated to the Consumer Product Safety Commission. Culp continues to aggressively develop and test fabrics, finishes and other related practices in an effort to determine what can be done. Thus far, we have very few acceptable answers.

Thank you for your time. If you have any questions or if I can be of any further assistance, please contact me (336-888-6230).

Best regards,



David Bell  
Director of Quality

DB/dh

Cc: Rob Culp - Chairman & CEO  
Howard Dunn - President & COO

### ASSUMPTIONS

The following assumptions are made in reference to the proposed changes in California on TB 117:

- A. Culp has to F.R. coat fabrics to accomplish some reduction to flame spread.
- B. The production fabric is tested by pattern and not sku. We assume the percentage fiber contents by color are the same for each pattern. (We know this is not true in all cases.)
- C. Using the CPSC "multiple smaller runs may be tested together", our assumption is - CPSC and California will accept a sampling plan based on the number of yards run, not the number of times or lots run during a week.
- D. Our assumption was there were: no recuts of samples to be tested, no lost samples, no retest due to inconsistent results, no cost was added for burn chambers and no additional cost was added for record keeping, or other related expenses.

6/14/2002

CPSC Small Open-Flame  
Draft Standard Sampling Plan  
Month of April  
Culp Jacquards < 99 Ends

<u>Initial Sampling</u>	<u>Yards</u>	<u>Patterns</u>	<u>Samples</u>	<u>Specimen</u>	<u>Burns</u>
1st Prod Unit	0 - 1000	214	3	4	2568
2nd Prod Unit	1001 - 2000	43	6	4	1032
3rd Prod Unit	2001 - 3000	26	9	4	936
4th Prod Unit	3001 - 4000	6	12	4	288
5th Prod Unit	4001 - 5000	7	15	4	420

Normal Sampling

1st Prod Unit	5001 - 10000	30	17	4	2040
2nd Prod Unit	10001 - 15000	11	19	4	836
3rd Prod Unit	15001 - 20000	4	21	4	336
4th Prod Unit	20001 - 25000	1	23	4	92
5th Prod Unit	25001 - 30000	2	25	4	200

Reduced Sampling

30001 - 40000	3	27	4	324
40001 - 50000	3	29	4	348
50001 - 60000	1	31	4	124
60001 - 70000	<u>2</u>	33	4	<u>264</u>
	353			9808

Scenario of sampling/burns that would have been required during April, if April had been the first month of the new CPSC flammability requirement.

Total estimated cost \$133,634 for month of April.

6/14/2002

CPSC Small Open-Flame  
Draft Standard Sampling Plan  
Month of April  
Culp Jacquards > 99 Ends

<u>Initial Sampling</u>	<u>Yards</u>	<u>Patterns</u>	<u>Samples</u>	<u>Specimen</u>	<u>Burns</u>
1st Prod Unit	0 - 1000	393	3	4	4716
2nd Prod Unit	1001 - 2000	73	6	4	1752
3rd Prod Unit	2001 - 3000	39	9	4	1404
4th Prod Unit	3001 - 4000	17	12	4	816
5th Prod Unit	4001 - 5000	18	15	4	1080
<u>Normal Sampling</u>					
1st Prod Unit	5001 - 10000	26	17	4	1768
2nd Prod Unit	10001 - 15000	3	19	4	228
3rd Prod Unit	15001 - 20000	6	21	4	504
4th Prod Unit	20001 - 25000	0	23	4	0
5th Prod Unit	25001 - 30000	1	25	4	100
<u>Reduced Sampling</u>					
	30001 - 40000	1	27	4	108
	40001 - 50000	2	29	4	232
	50001 - 60000	1	31	4	124
	60001 - 70000	0	33	4	0
	70001 - 80000	0	35	4	0
	80001 - 90000	0	37	4	0
	90001 - 100000	0	39	4	0
	100001 - 110000	0	41	4	0
	110001 - 120000	0	43	4	0
	120001 - 130000	<u>1</u>	45	4	<u>180</u>
		581			13012

Scenario of sampling/burns that would have been required during April, if April had been the first month of the new CPSC flammability requirement.

Total estimated cost \$177,288 for month of April.

NEW PATTERN INTRODUCTIONS

- 400 patterns per market
- Test each sku once (our customers will be doing so in their composite test)
- 400 patterns x (minimum colors 8) = 3200 skus
- 3200 skus @ 12 specimens each = 38,400 tests (burns) /market
- Two markets a year = 76,800 tests (burns)
- Cost of testing (labor, foam, fabric only) = \$1,046,400/yr.

COMBINING NEW PATTERN INTRO COST AND REGULAR PRODUCTION

- Jacquard scenario \$ 310,922 for April multiplied by 3 = \$ 932,766 for April
- \$ 932,766 x 12 months = \$ 11,193,192
- \$ 11,193,192 + \$ 1,046,400 = \$ 12,239,592

**Alessandra™ Technology**

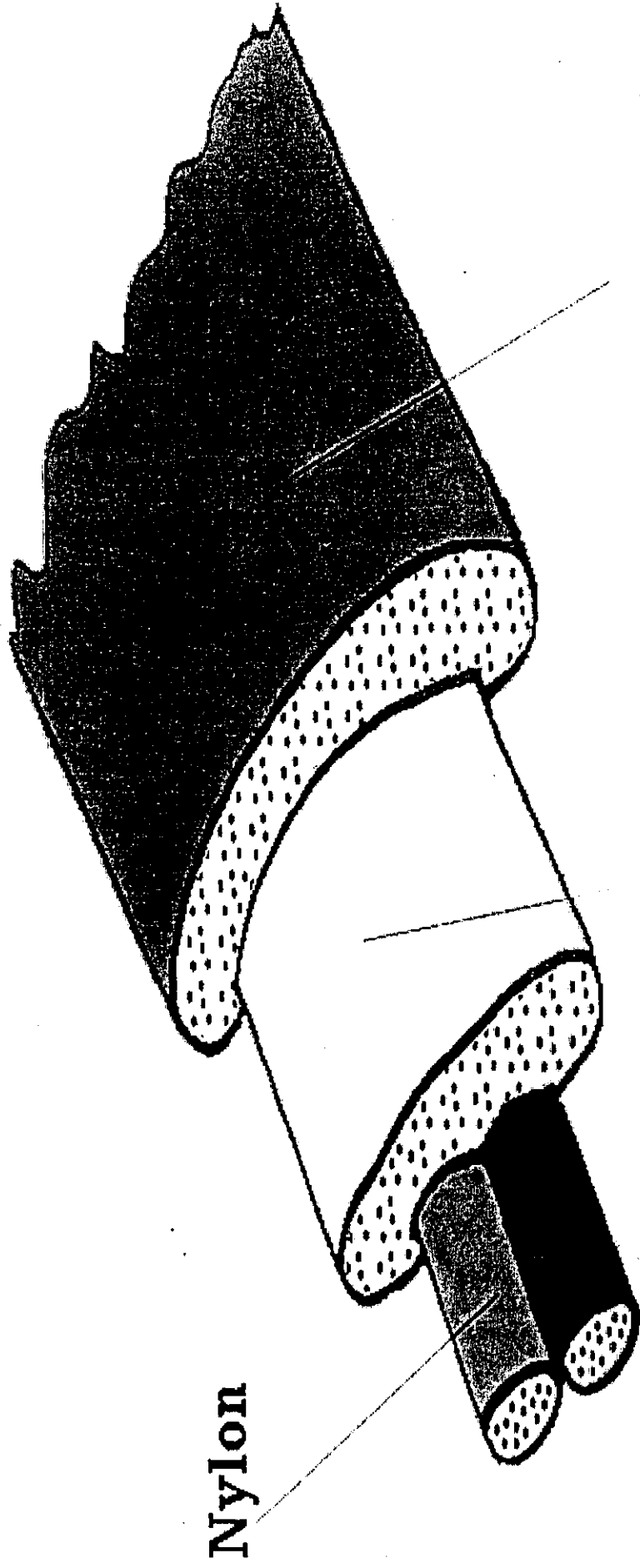
**June 19th 2002**

**McKinnon-Land, LLC / CPSC**

# Presentation Agenda

- Alessandra Technology CD
- Alessandra Yarn & Fabric Pictures
- Open Flame FR Codes
- Business and Market Risks
- Alessandra Unique Selling Properties
- Alessandra Products Business Model
- Yarn Spinner Status

# Alessandra™ Yarn



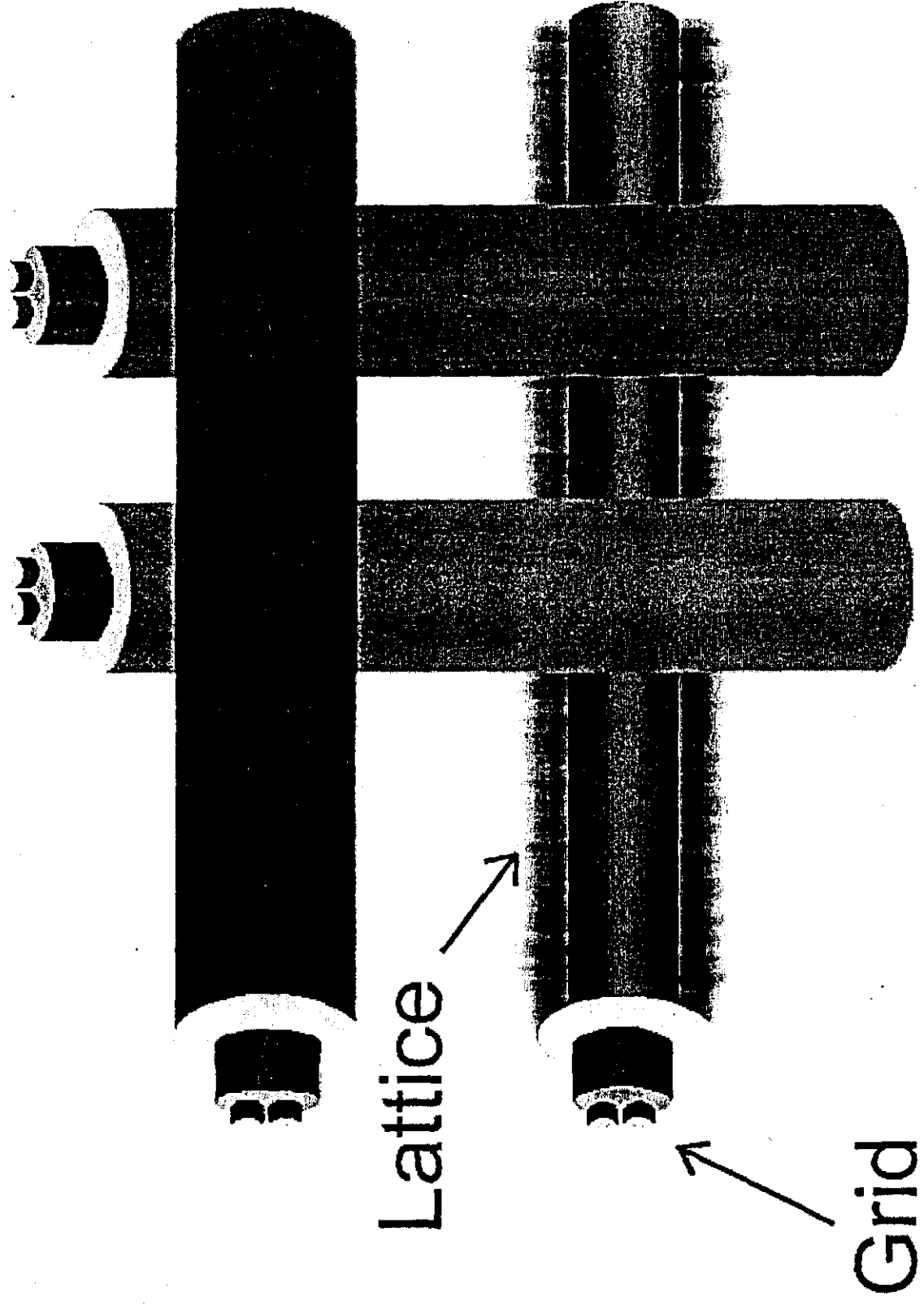
Nylon

Polyester or Other

Basofil/Modacrylic

Glass

Alessandra™



# Open Flame FR Codes

## Mattress FR Codes

- CAL129 - existing voluntary std.
- Boston Fire Code IX-11 - limited local std.
- NIST "Dual Burner" Test - std. in development

## Upholstered Furniture FR Codes

- CAL133 - contract std. in five states
- BS 5852 - UK std. only
- CPSC Test - proposed standard (20 second burn test)
- CAL117 Revision - std. in development for residential

# Business and Market Risks

## Lack of implementation of FR codes

- Controllable through proactive approach
  - Active participants in test method development
  - Communicating with state and federal officials
  - Pursuing multiple product development efforts
  - Education of the manufacturing value chain**
  - Utilizing expert FR advisory consultants

## Product liability claims

- Controllable through
  - Licensing products to applicable FR codes
  - Independent lab testing of customer products

# **Alessandra Unique Selling Properties**

**“Fashionable” FR Performance**

**Decorative Fabric Flame Blocker**

**Interliner Fabric Flame Blocker**

**“Drop In” product forms for economical solution**

**| Yarn Spinners – Weavers – Composite MFG**

**“FR chemical free” = non-toxic solution**

**Yarn/Fabric White in Color**

# Business Model

- Inclusive industry strategy
- Manufacturing License Agreements
  - | Yarn Spinner
  - | Weaver
- “Drop In” product concept
- Fashionable flame resistance
- Feed Market – Critical Mass

# **Yarn Spinner Status**

## **Current Spinner with existing capacity**

- Cavalier Specialty Yarn Co. 3.0 M lbs/yr
- Inman Mills 3.8 M lbs/yr

## **Future Spinners**

- Pharr Yarns (currently scaling up)
- Parkdale (21 M lbs/yr @ 6 months)

# Summary

- Open Flame FR Codes and Regulations
- Market Opportunities
  - Mattress Opportunity
  - Upholstered Furniture Opportunity
- Marketing Strategy
- Current Production Status
- Future Production Status

**INDA, Association of the Nonwoven Fabrics Industry**

**Presented by Cos Comelio**

**U.S. Consumer Product Safety Commission**

**Public Meeting  
Upholstered Furniture  
June 18 – 19, 2002**

Greetings – my name is Cos Comelio and I am here today on behalf of INDA, Association of the Nonwoven Fabrics industry, to present our industry's views on CPSC's efforts to date regarding development of a national flammability standard for upholstered furniture. For those who are not familiar with INDA, or have never heard of a nonwoven fabric, please allow me to provide some brief background information.

INDA is the internationally-recognized trade association of the nonwoven fabrics industry. Nonwovens are a multi-billion dollar industry in the United States, and INDA member companies include numerous Fortune 500 and Fortune 100 firms.

Nonwovens are manufactured as roll goods which can be converted into scores of end-use applications. Roll goods can be manufactured from natural or synthetic fibers, and INDA members have crafted numerous different ways of binding fibers together. Some nonwovens are made by needling fibers into a web, others use jets of water to entangle fibers, others rely on chemical binders or heat to mold fibers into continuous sheets of fabric.

In terms of end-use applications, nonwovens are ubiquitous in our daily lives. They are used to make everyday goods such as diapers, coffee filters, tea bags, wiping materials, feminine hygiene products, and much more. Nonwovens have both short- and long-lived applications in that they can be used as construction materials, surgical drapes and gowns, geotextiles including road bedding material and landfill liners, apparel interlinings, cushioning materials for home furnishings, and filtration media of all descriptions.

In short, nonwovens are engineered fabrics that offer solutions to numerous manufacturing, construction, healthcare, and consumer needs.

I should also point out that the United States is the world's largest producer of nonwoven roll goods, and we export considerably more roll goods than we import each year. If you would like more information about INDA, or the nonwovens industry in general, I invite you to visit our website at [www.inda.org](http://www.inda.org).

Now that you know a bit about our industry, I would like to discuss INDA's views regarding the draft furniture flammability standards under consideration today.

INDA has worked with CPSC staff on this issue since the very beginning of the Commission's formal consideration of draft national standards in 1994. And while we have neither encouraged nor discouraged development of such standards, we have repeatedly recommended that – if they are ultimately developed – these standards should be based on an underlying test method that can be met through the use of fire-resistant barrier fabrics. Specifically, we have repeatedly encouraged consideration of a standard by which furniture could be made with a fire-resistant barrier fabric, which might be "double upholstered," laminated to the upholstery fabric, or be used as a replacement layer of the existing inner padding. With this approach, the spread of fire that begins when furniture is ignited by a small, open flame can be significantly impeded and prevent other furniture components from becoming involved in the flames. Use of fire-resistant barrier fabrics can also minimize the amount of smoke produced when upholstered furniture burns.

While INDA acknowledges that the use of fire-resistant barrier fabrics cannot always be relied upon to produce upholstered furniture that is self extinguishing, we do note that this approach can help ensure that the furniture itself will not produce enough heat to cause flashover, and that residents will have added time to call for emergency assistance or extinguish the fire themselves. As such, INDA contends that national furniture flammability standards that require the use of fire-resistant barrier fabrics in upholstered furniture will significantly reduce the loss of life and property damage caused when upholstered furniture is ignited by a small, open flame.

To this end, INDA applauds CPSC staff for revising the draft proposed standards last October to include an "alternative" test that can be used for the seating area of upholstered furniture. This revision, if ultimately adopted, will meet the Commission's goal of protecting consumers while simultaneously allowing furniture manufacturers greater flexibility in their ability to meet the national standard, and preserving consumer choice of upholstery cover materials. Should the draft standards be advanced, therefore, INDA strongly supports the concept of allowing an alternative test under those standards.

As to the specific test that CPSC staff has recommended for this alternative, INDA's primary concern at present is that it would be virtually impossible for nonwovens producers to test barrier fabrics with every possible upholstery cover material on the market today. For this reason, we support an approach by which the underlying test method allows for either "pass" or "fail" judgment based on performance of the barrier alone, or in conjunction with common materials used beneath the cover material. While our general understanding of the test method contained in the revision released by CPSC staff last October is that the alternative test would not require industry to test barrier fabrics in conjunction with cover materials, we will reserve comment on the specific underlying test method until such time as a formal Notice of Proposed Rulemaking is published by the Commission. In the meantime, however, INDA intends to continue working with CPSC staff to help ensure that the right balance of protection, performance, and cost can be achieved through national standards.

In closing, INDA would also like to note that revisions to California's flammability standard for upholstered furniture – TB 117 – are currently under consideration as well. INDA members are somewhat concerned that the end result of these considerations will be two different sets of standards: one that applies solely to furniture intended for sale in California, and one that applies to upholstered furniture sold anywhere else in the United States. It is INDA's strong hope that this will not be the case, and encourages CPSC to work closely with California state officials in an effort to find a common approach to the issue.

Finally, I would like to underscore that nonwoven barrier fabrics are already available on a national basis, and INDA members have the ability to produce sufficient quantities of material across a variety of performance requirements and price points to meet the demands of the entire upholstered furniture manufacturing industry in the United States.

Thank you. I am happy to answer any questions you may have.

**CONSUMER PRODUCTS SAFETY COMMISSION  
UPHOLSTERED FURNITURE FLAMMABILITY PROCEEDING**

**STATEMENT OF JAN JESSUP  
CALICO CORNERS**

**June 18-19, 2002  
Bethesda, Maryland**

## **Introduction**

My name is Jan Jessup and I am the Director of Corporate Affairs for Calico Corners, Inc. ("Calico Corners"). Calico Corners is a national retailer of decorative fabrics and upholstered furniture. We are also a member of the Coalition of Converters of Decorative Fabrics ("CCDF"), an organization comprised of the leading home furnishing and decorative fabric converters in the United States, many of whom are our suppliers.

Calico Corners appreciates the opportunity to submit these comments in connection with the proposed draft standard that has been developed by the CPSC staff in connection with small open flame ignited residential upholstered furniture fires. Improved fire safety in the home is an important and serious task, and we appreciate the efforts being undertaken by the Commission to address such matters. We specifically wish to comment that, to the extent adoption of a regulation is determined to be necessary and appropriate, the draft standard now proposed by the CPSC staff appears to properly accommodate the interests of companies such as Calico Corners by providing alternative approaches for compliance. In particular, inclusion of an alternate barrier test will provide many benefits for companies such as ours, as well as for consumers, while still achieving the effectiveness sought by the CPSC staff.

## **Calico Corners**

Calico Corners operates 116 company-owned retail stores in 33 states. We are a leading national retailer specializing in decorative fabrics. Approximately 57% of our total sales are of decorative fabrics. As a result, we are one of the largest purchasers of decorative fabrics in the United States, buying from major converters, wholesalers and jacquard mills located here and around the globe. In addition to selling decorative fabrics we also provide custom labor services (i.e., reupholstery), sell custom upholstered furniture, as well as trims, books, notions and

window hardware. In other words, Calico Corners is selling an ingredient product (fabric) plus the custom labor services and custom furniture frames to turn that fabric ingredient into a finished product.

Calico Corners has over three million customer records on file. The driving force behind our success, and our ability to satisfy such a large number of diverse tastes, is our focus on consumer choice. For example, in 2002 we are on track to sell over 28,000 pieces of new custom upholstered furniture. These are not "off the floor" sales. Rather, a Calico Corners' customer can choose from over 250 furniture frames. In the average Calico Corner store the customer then has the choice of over 3,000 fabrics to put on the frame. These fabrics are from the approximate 5,000 different stockkeeping units (SKUs) of decorative fabric offered in all of our stores.

It is also significant to understand that the decorative fabrics we sell are of an incredible variety as respects fiber content, weight, weave, construction and finish. About half (48%) are designed specifically for upholstery use, but many others, including print fabrics, are also selected by Calico customers for their furniture. Conversely, many customers select "upholstery" fabrics for other home furnishing applications. Even the very expensive washed jacquards that we sell specifically for upholstered furniture are used for other purposes, such as pillows, by our customers.

In addition, while our fabrics are primarily cotton, linen, silk, rayon and polyester, additional fibers such as viscose rayon, olefin, acrylic and nylon are often included. It is not uncommon for our upholstery fabrics to have between 3 and 5 different fibers. The point is, the diversity of our product line and product offerings are aimed toward meeting whatever our customers' tastes may be. And these tastes are as varied and unpredictable as can be imagined.

Data from 2000 reflect this incredible diversity. In that year Calico Corners' customers purchased almost 24,000 pieces of custom upholstered furniture and covered them in over 4,500 different fabrics. Only three fabrics, however, sold over 1,000 yards; 41 fabrics sold between 500 and 1,000 yards; and the average sale per fabric was 10.4 yards.

### **The Proposed Standard**

Preserving our ability to satisfy our customers is the most important principle behind Calico Corners' business philosophy. It is for this reason that we view the CPSC staff's effort to develop a small open flame upholstery furniture standard with great seriousness. In addition, as we have previously advised the staff, one of our greatest concerns would be if an upholstered furniture standard imposed requirements that limit the choices we can make available to consumers. Our understanding of the draft proposed standard indicates that, if it is adopted, our concerns will be addressed.

Specifically, including an alternate barrier test will avoid many of the problems and costs that consumers and companies such as Calico Corners would otherwise face, while at the same time not diminishing the standard's effectiveness in addressing the risks related to small open flame ignited upholstered furniture fires. The barrier alternative is an approach that can be easily utilized in the manufacturing process, and at least for our segment of the industry, it is reasonably inexpensive when compared to the alternatives.

In addition, use of a barrier material will avoid the need, and the consequent cost, of having to FR treat and test each of the fabrics that Calico Corners offers, a step that in practice would be simply impossible. As mentioned above, we have approximately 5,000 SKUs of upholstery fabric, and this does not even include the other fabrics that are used for upholstered

furniture but are not categorized as such. Nor does it include the hundreds of new fabrics we offer to our customers each year.

Each of these fabrics would have to be FR treated and tested. We could not limit the testing to just a few “big sellers” or to just those used for furniture. As explained, our strength is in the diversity of products we offer, and the result is that we sell a little bit of a lot of our product line. Likewise, most of our fabrics are used for multiple purposes. In addition, there are so many different fabrics, comprised of so many different fibers, constructions and other physically different characteristics that it would result in every order having to be separately treated and tested, irrespective of the size of the order. The logistics required to accomplish such a task would paralyze our business, and would lead to nothing but consumer dissatisfaction.

Since almost all of our fabrics are used for more than one application, we would also need to maintain duplicate samples in each of our stores so we could show our customers what each fabric would look and feel like, treated and non-treated. We would also have to maintain duplicate inventories, or rely upon third parties to treat and test our products. This latter alternative, however, would not be a practical alternative. Not only would it add tremendous costs because of the small size of our typical orders, but it would delay deliveries to customers and wholly undermine our relationships. Again, this is central to our business success.

Treating only the fabrics that would be used for upholstered furniture also assumes that our customers will find this approach acceptable, and that such fabrics could be treated in such a way that they would pass the type of seating area test proposed in the draft standard. We have very serious reservations that our customers would be so accepting, and our understanding is that many, if not most, of the fabrics we sell would not pass the proposed seating area test even if treated. Moreover, their look and feel would be entirely ruined by the treatment itself.

Accordingly, such an approach may result in nothing more than depriving our customers of the products they want.

This is not to say that in all cases the alternative barrier test would be appropriate for all home furnishing suppliers. But the draft proposed standard, as we understand it, does not make the alternate test the only one available. For those circumstances where use of a barrier fabric will not be feasible, for whatever reason, the draft proposed standard would still allow the use of the 20 second seating area test. Some may find the costs and burdens of that approach to be more acceptable than using barrier materials, but for Calico Corners it is not a close call. Without the opportunity to meet the proposed draft standard by using barrier materials, Calico Corners' business will be ruined.

## **Conclusion**

While we are not experts in flammability science, we are *very* knowledgeable about selling home textiles and the way consumers like to use them in home decorating. Calico Corners' customers today are driven by choice and self-expression in furnishing and decorating their homes, and if it is determined that a small open flame upholstered furniture standard is required and appropriate, then such a standard must allow us to continue to meet the demands of these customers. We believe the approach reflected in the staff's proposal, that includes an alternate barrier test, will allow us to do so.

Thank you for the opportunity to share these thoughts with you.

**CONSUMER PRODUCTS SAFETY COMMISSION  
UPHOLSTERED FURNITURE FLAMMABILITY PROCEEDING**

**STATEMENT OF CARY KRAVET  
KRAVET INC.**

**June 18-19, 2002  
Bethesda, Maryland**

## INTRODUCTION

My name is Cary Kravet, and I submit this statement in two capacities – first, as president of Kravet Inc. (“Kravet”), a wholesaler of decorative fabrics and furnishings, and second, as a member and past president of the Decorative Fabrics Association (“DFA”), an organization comprised of approximately 65 U.S. based wholesalers of decorative fabrics.

At the outset, please allow me to tell you about each of these organizations. Then I would like to discuss why, in our collective view, we believe the proposed draft upholstered furniture flammability standard developed by the CPSC staff that provides for an alternative barrier test procedure would, to the extent regulation is necessary, best achieve the CPSC’s desired goal of reducing small open flame ignitions of upholstered furniture.

### **Kravet Inc.**

Kravet was founded in 1917. My brother, sister, wife and I represent the fourth generation of family ownership. We are in the business of wholesale distribution of fabrics and furnishings to the interior design trade. It is important to note that we do not sell directly to the retail consumer. Our products are used for any number of end uses, including upholstered furniture, draperies, wallcoverings, other window treatments, bedspreads, pillows and other bedding. Often the same fabric is used for multiple applications even in connection with the same job. When we sell our fabrics, however, typically we do not know the end use to which they will be put; that is a decision made by the ultimate retail consumer in consultation with his or her interior designer.

Kravet’s fabrics are sold both nationally and internationally. We operate a number of divisions, each of which markets its own brand. The largest division, Kravet Fabrics, markets

and sells "Kravet" branded goods. Lee Jofa is one of our smaller divisions and sells fabrics under the "Lee Jofa" brand. In the United Kingdom and European Union our GP&J Baker division utilizes the brand name "Baker."

### **The Decorative Fabrics Association**

The DFA is comprised of approximately sixty-five member companies, all of which are actively engaged in the business of distributing nationally as wholesalers highly styled domestic and imported decorative fabrics. DFA member companies maintain facilities (offices, showrooms, etc.) in all major metropolitan areas of the country. In 2000, DFA's membership reported annual aggregate sales of \$1.21 billion, of which decorative fabrics comprised approximately \$1 billion. DFA member firms, however, are relatively small: 35% have annual sales of less than \$5 million; 27% have annual sales from \$5 to \$10 million; and approximately 38% have annual sales in excess of \$10 million.

A substantial percentage of the fabrics sold by DFA members, between 75% and 80%, is comprised of highly styled cellulosic or natural fibers, such as cotton, silk, rayon and linen, fabrics and fibers that have been used for upholstered furniture for hundreds of years. These fabrics are purchased from suppliers throughout the world, with approximately 60% being imported to the United States. Most of these fabrics, I understand, are difficult to treat with chemical backcoating so they will be able to pass the type of flammability test being contemplated by the CPSC. Moreover, some of these fabrics simply will not pass, even if treated. In addition, if these fabrics are treated in such a manner they would lose the very aesthetic qualities that make them attractive to the interior designers and the ultimate consumer.

The high-quality and aesthetic characteristics of the products offered by DFA members is their strongest selling point. The look and hand of a particular piece of fabric is critical to our

businesses. Most fabrics are exclusively developed by and for each wholesaler. This is the value that each DFA member adds to its particular product line and this is what the ultimate consumers of our products want. Thus, if these fabrics were required to be chemically treated, the most popular items – cotton and rayon chenilles, boucles, silks, washed fabrics, matelasse, pocket weaves, velvets, and an infinite combination of these fabric types, fibers and yarns – would no longer be available to consumers. Not only would they not pass a flammability test, but even if they could they would be rendered so unattractive as to be unsaleable.

Another important characteristic of the companies represented by the DFA is that, overwhelmingly, sales are made on a COM (customers own material) basis through interior designers. COM means that fabric selections are made by consumers, with the assistance or at the direction of an interior designer, not for a single piece of furniture or other application, but rather as one component of an overall interior decorating project. Indeed, fabrics supplied by different DFA members may be used in the same project; fabric supplied by one for furniture, fabric from another for draperies, and wallcovering fabrics from yet a third.

A typical scenario would be that the end user and designer select fabric for all aspects of the project – e.g., furniture, draperies, wallcoverings, bedding, window treatments. Such selections are typically made from fabric samples supplied by DFA members, and such samples must reflect the look and feel of the actual fabric that will be sold. Purchasing fabric is a tactile experience, and we must allow consumers the opportunity to fully appreciate the texture and weight of their selections. The interior designer then would place an order for fabric with one or more DFA members, specifying the number of yards of each particular fabric that is needed. The designer would not, however, specify the end use to which each type of fabric will be put or how much yardage of a particular fabric will be used for one use versus another. Nor will the

DFA member typically know how the fabrics will be used. The fabric then would be shipped to an independent workroom typically selected by the designer, where it would be fabricated into the items specified by the designer and the ultimate consumer.

Needless to say consumer tastes vary tremendously, and DFA members must be prepared to meet a consumer's needs for all aspects of a project. To meet these needs, DFA companies typically sell on a "cut order" basis, with the average order being 8 to 9 yards of fabric. Accordingly, as a general rule, DFA members carry over 5,500 different stock keeping units (SKUs) of fabric, with smaller companies averaging 1,760 and larger companies averaging over 16,000. The fabrics also typically contain wide variations of fiber mixes and combinations.

### **THE PROPOSED DRAFT STANDARD**

Given the nature of Kravet's and other DFA companies' businesses, it is critical to include an alternate barrier test procedure in the proposed draft standard. Assuming adoption of a standard is determined to be necessary and appropriate, if the barrier alternative is not included, the economic viability of Kravet and all other DFA members would be at great risk.

#### **A. A Standard Without An Alternate Barrier Test Would Be Impracticable and Prohibitively And Disproportionately Expensive For DFA Companies**

Absent an alternate barrier test, the fabric sold by DFA companies would have to pass a 20 second burn test. As previously presented to the CPSC staff, DFA fabrics will not, for the most part, pass such a test *even if* treated with FR chemicals. Moreover, as observed above, even those specific fabrics that could be successfully treated so they would pass, would be rendered unsaleable because their aesthetic appeal would be entirely ruined.

Nor, as also has been previously presented to the CPSC Staff, could DFA companies practicably or economically comply with a requirement that imposed testing and treatment obligations on them. Indeed, the increased costs that DFA members would face if they had to

comply with such requirements would be disproportionate to the costs incurred by others in the industry to achieve the same result.

Because DFA members do not determine the end uses to which particular fabrics will be put for a specific interior design job, and because the same fabric may be used for different purposes in the same job. DFA members would be forced to (i) maintain duplicative treated and non-treated inventories of any SKU that might be used for an upholstery application, or (ii) have "cut orders" treated when ordered specifically for upholstery uses. Either alternative would be prohibitively costly.

First, to maintain duplicative inventories each DFA member would be required to purchase increased volumes of fabrics from mills without a corresponding increase in sales, because mills have minimum order requirements. On average, approximately 48% of DFA members' sales are already attributable to the cost of goods sold, and these costs would increase dramatically.

Second, duplicative inventories would result in higher carrying costs, the need for additional showroom space and additional warehouse facilities. Showroom expenses, on average, already account for approximately 11.5% of DFA members' total revenues, and additional showroom space would be difficult to come by and would be extremely expensive since, typically, there is only one design center in each geographic market served by DFA members.

Third, having cut orders treated would impose significantly higher unit costs. Cut orders can be as small as 1 yard, and are typically not more than 30 yards, with an average of 8 to 9 yards. Finishers charge minimums, however, that can range from \$65 to \$150 per order.

Fourth, there would be tremendous yardage losses if testing were required of cut orders. I have been advised that an additional 2 to 2 ½ yards would be required (1 to 1 ½ yards for testing by the finisher to allow for certification, and 1 yard for machine operability). Since DFA members' fabrics often may have a wholesale value of \$75/yard or more. The yardage requirement for DFA treatment would involve significant additional costs.

Fifth, DFA members would likely face shortages in finishing capacity, which might otherwise be used for larger orders. The DFA has been advised that small cut order jobs are not desirable for finishers.

Sixth, finished cut orders would likely be inconsistent in quality, requiring duplicative processing and testing. This may likely occur because different fabrics that would be stitched together to allow for finishing would have different characteristics, and the application of FR materials would be different for each.

Seventh, delivery time to consumers would be increased because of the time that would be required to deliver product to finishers, receive goods back from finishers and then deliver them to the consumer. Not only would this increase inventory carrying charges, but it would also increase consumer dissatisfaction and the likelihood of cancelled orders.

Eighth, whether duplicative purchases are made from mills or treatment of cut orders is obtained, duplicative showroom samples and sample books for treated and non-treated fabrics of the same SKU would be required. Existing samples would have to be discarded. Approximately 10% of gross sales is already attributable to sample costs, and that percentage would only go up.

Equally troublesome, but perhaps not as easily quantifiable, would be the loss of consumer choice if DFA members' products were unavailable because they could not pass a 20 second flame test. As previously mentioned, 75% to 80% of DFA members' products are cotton,

linen, silk or rayon. These would be difficult or impossible to backcoat, and even if they could be, they would lose their aesthetic appeal. Accordingly, consumers would be deprived of a large volume of product choices. This would have a dramatic impact on the viability of all DFA companies. The smaller companies, which comprise most of the DFA membership, would be most egregiously impacted.

**B. The Barrier Test Alternative Avoids The Damaging Costs For DFA Members While Addressing The Risks Of Concern To The CPSC**

The alternate barrier test would allow companies such as those represented by the DFA to avoid the draconian effects of an upholstered furniture standard. It would also allow the standard to address the risks that are of concern to the CPSC staff with the same effectiveness.

Most importantly, as we understand the alternate barrier test, it would allow a furniture manufacturer to use certified barrier materials and thereby avoid further testing or treatment of other components of the finished piece of furniture, regardless of how the outer fabric performs. The approved barrier materials would prevent a flame from reaching the filling material of a piece of furniture and thereby avoid the very dangerous situation that may arise if such filling materials are ignited. We understand that there currently exist commercially available barrier materials that could serve in such a capacity.

While there would, of course, be a cost for the barrier, again we believe this alternative would be more cost effective than requiring all fabrics to meet the 20 second seating area test. Recently, we have been advised that costs for barrier materials have been falling. We have also heard about FR batting and ticking products that could serve as an effective barrier, and as a result additional labor costs that furniture manufacturers might otherwise face in incorporating a separate additional fabric could be reduced.

This is not to say that for some, use of a barrier material might involve additional costs. For example, manufacturers of lower end furniture may find that the incremental cost increase may be a significant percentage of the overall price of a specific furniture item. The proposed draft standard, however, would still allow use of FR treated fabrics in such circumstances so the requirements of the standard could be met. So, if there are fabrics, unlike DFA fabrics, that can be successfully treated economically and aesthetically, they would be available for use on lower end furniture. All the alternate barrier test would do is provide an alternative so that a far greater number of product offerings will be available and competition will remain robust. Moreover, if costs of using barrier materials turn out not to be meaningfully different than current costs of production, then this alternative could be used.

In addition, although neither Kravet nor the DFA purports to be expert in issues involving toxicity and other health and safety issues, the inclusion of the alternate barrier test in the proposed draft standard may also serve to eliminate concerns in these areas. By avoiding the need for chemical treatment of fabrics, the barrier alternative presents a far more environmentally friendly approach.

## CONCLUSION

On behalf of Kravet and the DFA, I would like to thank the CPSC for the opportunity to submit these comments. Fire safety is a very important issue. While there may be dispute regarding whether implementing a mandatory standard is necessary, the current proposed draft goes far to recognize the very critical need to craft a standard, assuming one is appropriate, that will be effective and that will provide all segments of the affected industry the opportunity to comply in a practicable manner.

Thank you.

**CONSUMER PRODUCTS SAFETY COMMISSION  
UPHOLSTERED FURNITURE FLAMMABILITY PROCEEDING**

**STATEMENT OF ROGER GILMARTIN  
COVINGTON INDUSTRIES, INC.**

**June 18-19, 2002  
Bethesda, Maryland**

## INTRODUCTION

My name is Roger Gilmartin and I am the Executive Vice President and Chief Operating Officer of Covington Industries, Inc., a home furnishing converter with its headquarters in New York City. We also have showrooms in High Point, North Carolina, Tupelo, Mississippi, and Los Angeles, California, as well as warehouse facilities in South Carolina. I have been in the textile industry since 1964 when I received my Diploma in Textile Technology from Bolton Institute of Technology in Bolton, England. Since that time I have worked in the industry with companies located in the United Kingdom and around the world. I came to the United States in 1990 to serve as the Chief Executive Officer of a textile manufacturer of home furnishings and industrial fabrics in Alabama. In 1996, I joined Covington Industries.

### **Covington Industries, Inc.**

Covington has three operating divisions: Covington Decorative Fabrics, Covington Upholstery Fabrics, and Covington Contract. Covington Decorative Fabrics serves the jobber, retail, and non-furniture manufacturing sectors. Covington Upholstery Fabrics serves residential and outdoor furniture manufacturers. Covington Contracts focuses on the hospitality and healthcare industries. Covington employs over 200 people in five states and has approximately 4,000 customers. Covington presently exports worldwide to more than 70 countries. Covington's manufacturing capacity is extremely limited, with only one manufacturing unit, a small weaving plant, in South Carolina. Thus, as a converter, Covington purchases manufacturing capacity on a "commission" basis both domestically and offshore.

Covington's main focus is design and distribution. The Covington product line consists of both woven and printed fabrics. Like other members of the Coalition of Converters of Decorative Fabrics ("CCDF"), Covington specializes in fabrics which can be used not only for

upholstery, but also for a variety of other home furnishing applications. Thus, Covington specifically designs and develops fabrics to be multi-purpose for use in all the applications that it serves, and we sell the same fabrics through each of our divisions.

## **CCDF**

The CCDF is comprised of the leading home furnishing and decorative fabric converters in the United States. As converters, CCDF's members acquire proprietary rights in original designs, which are then caused to be printed, woven, or otherwise fabricated by third parties into a multitude of fabric types. The finished fabrics are then sold by the converters worldwide for a variety of uses. CCDF's membership accounts for approximately \$1 billion to \$1.5 billion in sales annually, representing, by volume of business, the vast majority of the home furnishing converters in the United States.

Printing and other production processes are performed for CCDF member companies, including Covington, by entities located in the United States and in numerous other countries in Asia, Europe, and Central and South America. Costs and aesthetics are the driving factors in the selection of printing and other production processes both domestically and abroad.

CCDF members distribute their products through a variety of channels, typically through distribution warehouse facilities located in the United States. Like Covington, CCDF members' customers include wholesalers, furniture and other miscellaneous manufacturers, and retailers located throughout the world. For marketing and sales, CCDF members maintain showrooms and display facilities, participate in national and international trade fairs, and have sales representatives visit customers in all countries where customers may be located. Selling successfully depends in large part upon the customer's inspection of the fabrics both visually and

texturally. The visual impression and the hand (how a fabric feels) are the most critical elements for consumers.

To accommodate customers' varied and unique tastes and the myriad of ways that customers will use decorative fabrics, each CCDF member develops and offers hundreds of new product offerings each year. New product offerings are introduced in collections, and each collection can average over 100 different stockkeeping units (SKUs). Each year 4 to 6 new collections may be introduced. Of course, not all of the new SKUs will be as successful as others, but many are successful sellers for many years, and inventory of all new and existing product offerings must be maintained for the life of each collection, which is typically at least three years and often longer.

## **DISCUSSION**

### **A. An Alternative Barrier Test Is Critical**

To the extent regulation of the sort under consideration is determined to be necessary and appropriate, the CCDF and Covington feel strongly that it is imperative to include the alternate barrier test that is reflected in the current draft. Absent such an alternative, companies such as Covington, and other similarly situated converters, would face significant economic consequences that would make it very difficult for us to continue as financially viable enterprises.

As commented above, generally, converters do not manufacture the products they sell, nor do we have the capability of finishing goods to make them compliant with the type of 20 second seating area test that is contemplated in the CPSC proposed draft standard. To meet such a requirement converters such as Covington would have to rely upon third parties to treat and test our fabrics. At the present time, however, I understand there is limited capacity that would be

available to accommodate such needs, and absent substantial capital investment by finishers to expand their existing capacity converters would be left without the opportunity to comply with the standard.

This problem would be particularly troublesome given the volume of imported goods used by converters, as well as the wide range of fabric types sold. Suppliers from outside the United States, for example, will most likely not have the ability to treat or test fabrics to ensure compliance with the 20 second seating area test under consideration. Moreover, these products may not be able to maintain their structural or aesthetic integrity if treated with FR chemicals. Further, the type of treatment that specific fabrics would require would only be known after extended experience and investment. Hundreds of new fabrics, however, are introduced by each converter each year. If it became necessary to determine the flammability propensities of each of these items in advance of their introduction to the marketplace, the losses resulting from such delay would be incalculable, and the competitive position of all converters would be greatly diminished.

Furthermore, even assuming it was economically and practicably feasible to treat fabrics sold by CCDF members, real problems would arise because such treatment would ruin the appearance and textures of the fabrics. These are critical factors for consumers.

Equally troublesome is the fact that in many cases the fabrics sold by converters are used for many different home furnishing applications, in addition to upholstered furniture. Thus, as has previously been presented to the CPSC staff, converters would face increased costs resulting from the need to either maintain duplicative inventories of treated and non-treated fabrics, or run the risk of delays and additional costs resulting from having just those fabrics specifically directed to upholstered furniture uses treated and tested by third parties.

These additional costs, and the difficulties converters would face in selling their products, would make it very difficult for us to remain effective competitors. This is a particularly troubling possibility at the present time given the current state of the U.S. textile industry generally. Even a small diminution in profitability for many converters may make their continued operations that much more difficult. Moreover, there would seem to be no reason why such a burden should be imposed when the CPSC staff's draft standard appears to strike the correct balance for allowing compliance by all affected industry segments.

**B. An Alternate Barrier Test Balances  
The Interests Of All Industry Segments**

The alternate barrier test proposed by the CPSC staff, as reflected in the proposed draft standard submitted to the Commission for consideration, strikes the correct balance for all segments of the home furnishing industry. On the one hand, as we understand the proposed draft standard, it allows for use of qualified barrier materials in place of having outer fabric treated and tested so it would meet the requirements of the 20 second seating area test. On the other hand, the 20 second test would still be available for fabrics that are capable, both physically and aesthetically, of being successfully FR treated in a manner that will allow that test to be met. By providing both these alternatives the CPSC staff has, to the extent a standard is adopted, addressed the risks it is concerned with while allowing for the greatest volume of products to be available to consumers. While the alternative barrier test may not entirely eliminate all the negative economic effects of the regulations for all people, it will reduce the undue burdens and costs that would otherwise be imposed on suppliers and consumers.

In addition, we understand that barrier materials are now being made commercially available that will be able effectively to address the risks perceived by the CPSC staff as resulting from small open flame ignitions of upholstered furniture. The costs of such barrier

materials, which we understand may be used for batting and ticking, are reportedly decreasing. Such materials also may be useable in a manner that will not significantly increase labor costs, if at all. These are factors that we are particularly concerned about because some of our customers are furniture manufacturers at the lower and mid-ranges of the market. We have an interest, therefore, in having such firms remain healthy whatever solution is adopted. As presently contemplated, however, the proposed draft standard's alternate approaches go to accommodate the interests of these firms and others situated elsewhere in the market. Moreover, to the extent new effective and economical barrier materials are developed, this accommodation will be even more readily achievable.

Finally, I think it is worthy of comment that furniture companies of all sizes might be able to avoid some costs if they comply with the standard by means of the alternate barrier test rather than the 20 second seating area test. Such compliance should make record keeping efforts far easier, and testing and treatment costs should be far lower. Under the alternate barrier test a furniture manufacturer should be able to rely on the certification received from the supplier of the barrier material and not have to engage in more extensive treatment, testing or record keeping efforts. In addition, furniture manufacturers, as well as suppliers throughout the distribution chain, would be able to avoid potential health, environmental and safety costs arising from the use of potentially harmful chemicals that would be used to FR treat the fabrics.

## **CONCLUSION**

Covington and the CCDF support the concept of improved fire safety in the home. We also wish to preserve consumer choice in fabrics and furnishings, and to maintain the economic viability of our industry. We believe that the proposed draft standard developed by the CPSC staff, while perhaps not ideal, reflects a balanced approach for addressing these concerns.

Accordingly, to the extent it is ultimately determined that a standard such as is being proposed is required and appropriate, we urge you to maintain the alternate approaches reflected in the current draft proposal.

Thank you for the opportunity to submit these comments.